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Mortgage Problems

How to Avoid Problems with your HUD-Held Home Mortgage!

An information booklet for homeowners
whose mortgages are held by the
U.S. Department of Housing and Urban Development (HUD)
under the Assignment and Purchase Money Mortgage Programs

January 1992

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HOW TO AVOID PROBLEMS WITH YOUR HUD-HELD HOME MORTGAGE!

An information booklet for homeowners
whose mortgages are held by
the U.S. Department of Housing and Urban Development (HUD)
under the Assignment and Purchase Money Mortgage Programs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Washington, D. C. 20410

January 1992

Table of Contents

	Page
Introduction	ii
1. Why does HUD hold the mortgage on your home?	1
2. Where do you get help regarding your mortgage account with HUD?	2
3. Monthly Mortgage Payment Bills	2
4. Things to remember about making your mortgage payment	3
5. When is your mortgage payment due?	4
6. Where do you send your mortgage payments?	4
7. Under what conditions will the amount of your monthly mortgage payment change?	4
8. How does HUD apply your payments to your account?	5
9. Forbearance agreements	9
10. Foreclosure - the loss of your home	9
11. Alternatives to foreclosure	10
12. Bringing a delinquent account current	11
13. Paying off your mortgage account	11
.....	11
.....	11
ts	11
problems with your mortgage?	12
number for Housing Counseling	12

INTRODUCTION

THIS BOOKLET WILL HELP YOU AVOID AND RESOLVE PROBLEMS WITH YOUR HOME MORTGAGE!

You can help yourself achieve debt-free homeownership and assist us in handling your mortgage loan if you will make full use of the information in this booklet.

1. When you read the booklet you will learn:

- a. why the U.S. Department of Housing and Urban Development (HUD) holds your mortgage,
- b. how you can get information from HUD about your mortgage account,
- c. how you can avoid most problems with your mortgage, and
- d. answers to mortgagors' most frequently asked questions.

2. By reading the booklet now and referring to it when questions arise later on, you will save yourself:

- a. worry, energy, and time;
- b. waiting for a reply to your letter or telephone call to HUD; and
- c. the cost of long-distance telephone calls.

3. As you read the booklet, you will find:

- a. information about how HUD handles your mortgage account and
- b. the address and telephone number of the local HUD office that handles your mortgage.

4. Feel free to call or visit the local HUD office whenever you have questions.

If you think HUD made an error on your account, get in touch with our local office **as soon as possible**. Our staff will provide every possible assistance to you.

THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1. WHY DOES HUD HOLD THE MORTGAGE ON YOUR HOME ?

The U.S. Department of Housing and Urban Development (HUD) holds the mortgage on your home for one of two reasons:

- a. you bought your home from HUD with financing* provided by HUD (* called a Purchase Money Mortgage)

OR

- b. your mortgage company assigned (transferred) your mortgage to HUD.

If the company that held the mortgage on your home assigned the mortgage to HUD, this was done under the Department's Assignment Program for ONE of the following reasons.

- (1) HUD insured your mortgage under Section 221 of the National Housing Act,

AND your monthly mortgage payments were current at the end of your mortgage's twentieth year. The National Housing Act authorizes your mortgage company to transfer your mortgage to HUD without first obtaining your approval.

- (2) You were behind in your mortgage payments,

AND your mortgage company could have foreclosed against your mortgage,

AND you met HUD's eligibility requirements for accepting the assignment of your mortgage,

company assigned your mortgage to HUD.

your mortgage to HUD prevented foreclosure of your mortgage—
a second chance to bring your mortgage current and save your home.

2. WHERE DO YOU GET HELP REGARDING YOUR MORTGAGE ACCOUNT WITH HUD ?

- a. You may visit, telephone, or write to the local HUD office listed below.

U.S. Department of Housing and Urban Development Single Family Loan Servicing Staff

Telephone: () - _____

That office:

- (1) handles your account,
 - (2) maintains most of your mortgage records,
 - (3) will answer your questions, and
 - (4) will correct or have corrected any errors on your account.
- b. When you write to our local office, **ALWAYS include** your:
- (1) mailing address,
 - (2) telephone number, and
 - (3) account number (You will find it on your bill. It begins with either 06 or 07.).
- c. If you telephone the office, have your account number handy. Using your account number saves time and helps us assist you quickly.

3. MONTHLY MORTGAGE PAYMENT BILLS

- a. Every month, about ten days prior to the due date of your next payment, HUD will send to you:
- (1) the next month's bill and
 - (2) a pre-addressed payment envelope.

Use that envelope to send your payment to the Payment Processing Center.

- b. Although you might not receive a bill for some reason, **you are still responsible for making your payment on time every month.** The bill we send to you is merely a reminder about your payment.
- c. **Send your bill stub with your payment,** but ALWAYS write your 9-digit account number on your check or money order.

If you do not receive a bill, write your 9-digit account number on your check or money order and mail it to the lockbox without the bill stub.

4. THINGS TO REMEMBER ABOUT MAKING YOUR PAYMENT

- a. If your account is current under your MORTGAGE, do NOT mail your payment earlier than the last day of the month prior to the month in which the payment is due.

EXAMPLE - You should not mail your June payment before May 31. **PAYMENTS RECEIVED PRIOR TO THE FIRST DAY OF THE MONTH IN WHICH THEY ARE DUE CAUSE PROBLEMS IN OUR COMPUTERIZED ACCOUNTING SYSTEM for accounts current under the mortgage.**

- b. If your payments are current **UNDER YOUR MORTGAGE** and you wish to make advanced payments against the unpaid principal balance of your mortgage, contact the HUD office for guidance **BEFORE** you send such a payment.
 - c. **Do NOT** send your payment to any address other than the one on the payment envelope sent to you by HUD unless our local office tells you to send it to them.
 - d. **ALWAYS** use regular first-class mail **ONLY** (Do NOT use registered, certified, or special delivery).
 - e. **ALWAYS** write your account number on the check or money order with which you make your payment.
 - f. Write the number in the upper center portion of your check or money order.
 - g. **Do NOT** send letters along with your payment.
 - h. **Always** send your bill stub with your payment to assure application of your payment to **YOUR** account.
 - i. Unless you follow these procedures, the application of your payment to your account **WILL BE DELAYED** and a late charge might be added to your account.
5. **WHEN IS YOUR MORTGAGE PAYMENT DUE?** Your payment is due on the first of the month, **EVERY MONTH**. If we do not **RECEIVE** your payment by the close of business on the 16th of the month in which it is due, we will:
- a. apply a late charge to your account and
 - b. send a delinquency notice to you.

6. **WHERE DO YOU SEND YOUR MORTGAGE PAYMENTS?**

Mail your payments to:

PAYMENT PROCESSING CENTER

P.O. Box 105652

Atlanta, Georgia 30348

This address is printed on the envelope sent to you with your monthly payment bill. You should record this address with your other important address records.

DO NOT write to the Payment Processing Center in Atlanta, Georgia.

That office CANNOT and WILL NOT respond to your letters. It is a bank that ONLY receives and deposits your payments. **NOTHING ELSE !**

7. UNDER WHAT CONDITIONS WILL THE AMOUNT OF YOUR MONTHLY MORTGAGE PAYMENT CHANGE?

- a. If your account is current under the mortgage, the amount of service charge against your account will reduce monthly and thus reduce the required amount of your monthly payment.
- b. If your real estate taxes decrease or increase, the amount of escrow required for taxes each month will decrease or increase.
- c. If you enter into a revised forbearance agreement with us, your required payment will change.
- d. If you have a Graduated Payment Mortgage, your mortgage payments will increase in accordance with the terms of your mortgage.
- e. 37 months after HUD accepts the assignment of your mortgage, you **MUST** make a payment at least equal to the payment required under the mortgage.
 - (1) HUD has no authority to suspend payments or accept reduced payments after a mortgage has been assigned to HUD for 36 months.
 - (2) When a forbearance agreement expires, HUD will review with you your financial circumstances to determine if you can make a payment higher than what is required under the mortgage. This is done to determine if you can make additional payments to begin to pay off some of your delinquency.
- f. If your mortgage is insured under Section 235 and a subsidy payment is applied to your account each month, your billed amount will change if the subsidy amount changes.

8. HOW DOES HUD APPLY YOUR PAYMENTS TO YOUR ACCOUNT?

- a. If your account is current UNDER YOUR MORTGAGE, your payment is applied to each of the following parts of your bill. For a current account, the bill consists of the following parts:

PRINCIPAL is the part of your payment that reduces the amount of the mortgage loan you still owe to HUD.

INTEREST is the charge you pay as a cost of borrowing the money to buy your house.

ESCROW is the amount set aside each month to pay your real estate taxes.

SERVICE CHARGE is the fee HUD collects to cover its costs for handling your account. This includes day-to-day activities by HUD staff, payment of your real estate taxes, and annual statements.

b. Keep in mind that--

- (1) Your account is current under your mortgage **ONLY** if you made all of your payments on time as required under the terms of your mortgage.

If you are current under a forbearance agreement, this does **NOT** mean you are current under the terms of your mortgage. See paragraph 9 for an explanation of forbearance.

- (2) If you are making payments under the terms of a forbearance agreement, your mortgage account is **NOT current** under your mortgage.
- (3) If your account is delinquent under the mortgage and you have not signed a forbearance agreement with HUD, contact our local office immediately; otherwise, you will be billed for the entire amount of the delinquency.
- (4) If you are making a payment that is less than a full payment required under the mortgage, your account is going further into delinquency each month. Interest on the unpaid principal balance, services charge, and escrow amounts continue to add up on your account.

EXAMPLE - If the regular monthly payment required under your mortgage is \$500.00, but your reduced payment under a forbearance agreement is \$400.00, you fall behind at least \$100.00 more each month you make the reduced payment. The amount would exceed \$100 if, for example, you did not have enough money in your escrow account and HUD had to advance money on your behalf to pay your property taxes.

- (5) **AT SOMETIME IN THE FUTURE, YOU MUST PAY THE ENTIRE AMOUNT OF YOUR INDEBTEDNESS TO HUD.**
- (6) **If your account is not current under the mortgage**, read paragraph c. below to learn how HUD applies your payments to your account.

c. If your account is delinquent, HUD applies your payments to the following items, if they are due, in the order listed below.

- (1) **Interest on Other Advances**

“Other” advances include such expenses as those associated with a foreclosure, if HUD forecloses your mortgage.

(2) **Interest on tax advances**

This is the amount of interest we charge you for this advance. It is based on the interest rate of your mortgage **OR** the Veterans Administration mortgage interest rate that existed when HUD accepted the assignment of your mortgage. HUD uses the **LOWER** of these two rates.

(3) **Other Advances**

This includes such expenses as foreclosure costs.

(4) **Tax Advances**

This is the amount of HUD's money we use to pay your taxes when there is not enough money in your escrow account. We charge this amount to your account. You must pay back to HUD, with interest, any money advanced on your behalf.

(5) **Service Charge**

This is the fee HUD collects from you to cover its costs for handling your account.

(6) **Late Charge**

If we RECEIVE your payment after the 16th of the month in which it is due, we add a late charge to your account.

(7) **Non-sufficient Funds Check** ("Bounced" check)

If your bank returns your check to us because you do not have enough money in your checking account, we add a bad check charge to your account.

(8) **Escrow**

This is the amount of your monthly payment set aside by HUD to pay your real estate taxes when they become due.

(9) **Mortgage Interest**

This is the monthly charge you pay as the cost of borrowing the money to buy your home.

(10) **Mortgage Principal**

This is the part of your monthly payment that reduces the amount of the mortgage loan you still owe to HUD.

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- d. **Here is an example of how payments are applied to an account that is delinquent under the mortgage.**

Assume that the mortgage is \$2000 delinquent and that the \$2000 past due is as follows:

Interest on other advances	20
Interest on tax advances	—
* Other Advances	—
Tax Advance	400
Service Charge	50
Late Charge	20
Bad Check Charge	10
Escrow for taxes	500
Mortgage Interest	800
Principal	200
	—
Total Delinquency	\$2000

*An “other advance” includes such items as foreclosure costs, maintenance costs of abandoned properties, and certain uncollectible checks.

Let’s also assume that the mortgagor sends a payment for \$500. The \$500 payment is applied to the \$2000 delinquency in the following order.

1. \$ 20 pays off the Interest on the tax advance.
2. \$400 pays off the Advance for taxes.
3. \$ 50 pays off the Service Charge.
4. \$ 20 pays off the Late Charge.
5. \$ 10 pays off the Bad Check Charge.

\$500 was the amount of the payment and was applied to the above five items of the delinquency.

No money remained to pay off any of the remaining three items—escrow, mortgage interest, and principal.

For this reason, after the \$500 payment was applied to the account, the delinquency of \$2000 was reduced to \$1500.

The \$1500 delinquency consists of the following unpaid parts of the delinquency.

1. Escrow	\$500
2. Mortgage interest	800
3. Principal	200
<hr/>	
4. Total Remaining	\$1500

9. FORBEARANCE AGREEMENTS

Forbearance is the process whereby HUD agrees to accept a monthly payment based upon your financial ability to pay over a period of up to one year. If HUD accepted your mortgage under the assignment program, HUD is authorized, under certain circumstances, to suspend your payments or accept a reduced payment for up to but **NOT MORE THAN** 36 months from the date we accepted the assignment of your mortgage.

BEGINNING WITH THE 37TH MONTH OF THE ASSIGNMENT OF YOUR MORTGAGE TO HUD, THE LAW REQUIRES THAT YOU MUST BEGIN PAYING AT LEAST THE FULL MONTHLY PAYMENT REQUIRED UNDER YOUR MORTGAGE !

HUD does **NOT** automatically apply a forbearance agreement to your account if it is delinquent.

1. You must submit to HUD information it requests about your finances. HUD will **require** you to submit financial information on Form HUD-92068F, Request for Financial Information.
2. HUD uses this financial information and related data to determine the amount of your forbearance payment. If you will not, for any reason, enter into a forbearance agreement with the local office that handles your account, HUD must foreclose your mortgage. This means you will lose your home through foreclosure.

10. FORECLOSURE - This is the procedure by which HUD takes possession of your home because you do not make your mortgage payments.

a. HUD may foreclose if:

- (1) you fail to live up to the terms of your mortgage

OR

- (2) you fail to live up to the terms of a forbearance agreement.

-
- b. If HUD proceeds with foreclosure, we may notify the credit reporting bureaus of our action. This will show on your credit record.

You should make every effort to avoid foreclosure. Not only does it take your home away from you, it also seriously damages your credit record.

11. ALTERNATIVES TO FORECLOSURE

- a. You have an alternative to foreclosure.
- (1) You may sell your home OR
 - (2) You may deed your home to HUD by means of a deed-in-lieu of foreclosure.
- b. The best alternative is to sell the house. By selling rather than providing a deed-in-lieu you:
- (1) protect your credit record and
 - (2) might realize some profit from the sale.
- (a) The sale might take place to a buyer who assumes the mortgage you have with HUD. In most assumption sales, the buyer pays the entire amount of the delinquency to HUD at the time of the purchase.
 - (b) If your mortgage is delinquent and you plan to sell your house, you should call or write to the local HUD office that handles your account.

Do this **BEFORE** you sell. This is especially important if you plan to sell your house to a buyer who will assume **YOUR** mortgage. Even if the buyer assumes your mortgage, **YOU REMAIN RESPONSIBLE UNDER THE MORTGAGE UNLESS YOU OBTAIN A "RELEASE FROM LIABILITY."**

- (c) By communicating with our field office you might avoid some problems associated with a sale by assumption.

12. BRINGING A DELINQUENT MORTGAGE ACCOUNT CURRENT

- a. If you are able to bring it current, call or write to the HUD Field Office that handles your account.
- b. Tell them you want to bring your account current.
- c. The office will tell you the amount of the payment needed to bring your account current.

13. PAYING OFF YOUR MORTGAGE ACCOUNT

- a. Under certain conditions it might be to your advantage to pay off your mortgage if you are in a financial position to make such a payment.

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- b. Our field office can tell you the amount needed to pay off your mortgage.
 - c. Please request payoff figures from our field office **well in advance** of the day when you will need them.

14. HAZARD INSURANCE

It is your responsibility to maintain hazard insurance to protect you against losses caused by such things as fire. HUD does not set aside any part of your monthly payment to cover the cost of this insurance.

You must provide documentation of this coverage to the local HUD office.

15. TAX BILLS

If you receive a property tax bill from your taxing authority, **IMMEDIATELY** send the bill to the local HUD office that handles your account, unless your mortgage was **automatically** assigned to HUD under Section 221(g)(4). If your mortgage was **automatically** assigned to HUD, **YOU must pay your real estate taxes**. If you have questions, immediately call the local HUD office that handles your account.

If you delay sending the bill to us, you might incur a penalty charge for the late payment of your taxes.

16. ANNUAL ACCOUNT STATEMENTS

Every January we will send to you an end-of-year statement of your account for the previous year. You should keep these statements with your other important papers.

- a. If you itemize your deductions on your federal income tax return, you will need the statement to determine, for example, the amount of mortgage interest you paid during the year covered by the statement.
- b. If your mortgage is insured under Section 235 and you receive subsidy from the government to help you pay your mortgage, you will need the subsidy information on the statement for income tax purposes.

17. HOW YOU CAN AVOID MOST PROBLEMS WITH YOUR MORTGAGE?

- a. Make your payments **IN FULL** and **ON TIME** !
- b. Write to, visit, or call the local HUD office that handles your account whenever you have a question about your account or you can't make your payment.
 - Do this as soon as you know or expect that you won't be able to make your monthly mortgage payment.
 - If you write to the office to support your claim that you made payments but they were not credited to your account, send a copy of the back and front of your canceled checks used to make the unapplied payments.

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- c. **DON'T WRITE TO THE PAYMENT PROCESSING CENTER!** They cannot and **will** not answer your letter.
 - d. **ALWAYS** write your account number on your check or money order.
 - e. If possible, **pay by personal check rather than a money order. CANCELED CHECKS ARE EASIER AND QUICKER TO TRACE THAN CANCELED MONEY ORDERS!**
 - f. **Always** send your bill stub with your payment.
 - g. Mail your payment by regular first-class mail only.
18. **Toll-Free Telephone Number for Housing Counseling.** HUD-approved housing counseling agencies offer counseling services to homeowners who experience difficulty in making their monthly mortgage payments. Generally, the agencies offer this service without charge to the homeowner. To obtain the names, addresses, and telephone numbers of HUD-approved housing counseling agencies nearest to your residence, call this toll-free telephone number:

800-733-3238

HUD currently has over 500 such agencies on its approved list. Although every community is not represented on the list, we urge you to use this service if it is available in or near your community. The service might assist you to save your home from foreclosure.

